

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: March 20, 2012**

Request to Approve a Change in Equity Partner for Rockwood Christie, LLC.

Prepared by: *Kristina McElfresh*

Applicant: Rockwood Christie, LLC	Amount Requested: N/A
Project Location: 64 th and Christie Emeryville (Alameda County)	Application No.: 10 Prior Action: Application No. 10 Approved 11/19/08 Award Amendment Approved 09/22/10

Summary. Rockwood Christie, LLC (the “Grantee”) request approval for the removal of RockEmery Christie, LLC, the current equity partner, and the addition of Essex Portfolio, LP as equity partner.

Background. On November 19, 2008, the Board approved a grant in the amount of \$5,000,000 to TMG Partners to fund the 64th and Christie Project. The Authority subsequently received a request from TMG Partners to redirect the \$5,000,000 grant award to Rockwood Christie, LLC. The modification was requested to address the Project’s ownership structure. The Board approved the transfer of the Infill Grant Award for the project from TMG Partners to Rockwood Christie, LLC and on November 18, 2010 Rockwood Christie, LLC entered into a Grant Agreement with the Authority.

RockEmery Christie, LLC and Emerychristie, LLC are partners in Rockwood Christie, LLC, the owner of the property. RockEmery Christie, LLC is comprised of Rockwood V REIT, Inc., which in turn has a management agreement with Rockwood Capital Real Estate Partners Fund V, LP. Emerychristie, LLC is comprised of TMG Partners, individual members and partners of TMG Partners also hold individual ownership interests in Emerychristie, LLC.

Current Request. Rockwood Christie, LLC requests approval for the removal of RockEmery Christie, LLC, the current equity partner, and the addition of proposed equity partner Essex Portfolio, LP. Essex Portfolio, LP is prepared to replace RockEmery Christie, LLC as the 95% equity partner and ensure a successful development of the project. The request to remove RockEmery Christie, LLC is supported by its parent company, Rockwood Capital Real Estate Partners Fund V, LP and is included as Attachment A. The timing of the development completion would extend beyond the fund’s date.

Essex Portfolio, LP specializes in building and operating mixed used developments throughout the country and is a financial partner of the “Marketplace,” a mixed-use community center located on a 15-acre site adjacent to the 64th and Christie project site. Essex Portfolio, LP is comprised of Essex Property Trust, Inc., a Maryland Corporation. Essex Property Trust, Inc. operates as a self-administered and self-managed real estate investment trust. The company has completed over 10,000 affordable and non-affordable units. Essex Property Trust, Inc. went public in 1994, and is traded on the New York Stock Exchange under the ticker symbol “ESS.” The *current* principal stockholders of property owner Rockwood Christie, LLC are as follows:

RockEmery Christie, LLC	95%
Emerychristie, LLC	<u>5%</u>
	<u>100%</u>

The *current* Rockwood Christie, LLC structure organization chart is included as Attachment B.

The *proposed* principal stockholders of property owner Rockwood Christie, LLC are as follows:

Essex Portfolio, LP	95%
Emerychristie, LLC	<u>5%</u>
	<u>100%</u>

The *proposed* Rockwood Christie, LLC structure organization chart is included as Attachment C.

Local Government Support. The City of Emeryville is the Oversight Agency for this project. An Owner Participation Agreement between Rockwood Christie, LLC and the City of Emeryville requires notification and approval of any change of partnership. The Rockwood Christie, LLC requested to change equity partners, and following an in-depth review Rockwood Christie, LLC received the City of Emeryville’s support for the change of equity partners. The letter of support is included as Attachment D.

Legal Questionnaire. Staff has reviewed the Grantee’s submittal of Essex Portfolio, LP (the proposed equity partner) responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of proposed equity partner.

Brownfield Infill Project. This area was initially covered with tidal flats of San Francisco Bay. Filling with imported soil and construction debris occurred during the 1930s and 1940s. The site was vacant until approximately 1949 and was used as parking for an adjacent parcel around 1959. The two existing commercial buildings had been constructed by 1969. The southern building was initially used as an industrial machinery warehouse and subsequently operated as a transmission service from 1980 to 1998, when operations were discontinued. The building now sits vacant. Portions of the northern building have historically been used as a photo laboratory and a print shop. Most recently, the building was used for offices and warehousing. Contaminants of concern include TPH, toluene, ethyl benzene, benzene, and BTEX. These contaminants have been variously detected in surface soil, groundwater, and soil gas. Pre-excavation Soil and Groundwater Investigation and Preliminary Soil Characterization commenced in March 2011. Project management will be provided by Essex Portfolio, LP; who will see the project through completion. Remediation is anticipated to commence June 2012 and conclude by the September 2012.

Infill Development Project. The 64th and Christie project is a dense infill project that will consist of at least 190 residential rental units of which 29 affordable units will be designated for households earning 50% or less of the area median income. When complete, this project will

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represent the first phase of the nation's first Platinum LEED-ND certified¹ infill project. Construction of the development is estimated to begin September 2012 and the project is anticipated to be completed in July 2014.

Funding. The Grantee was awarded \$5,000,000 of which the Authority has approved a disbursement of \$276,008.22 to date. Allocated funds remaining for the project is \$4,723,991.78.

Staff Recommendation. Staff recommends approval of the attached Resolution to remove the existing equity partner RockEmery Christie, LLC, and its affiliates which include Rockwood V REIT, Inc., and Rockwood Capital Real Estate Partners Fund V, LP; and the addition of Essex Portfolio L.P., comprised of Essex Portfolio Trust, Inc. as equity partner.

¹ The LEED for Neighborhood Development Rating System integrates the principles of smart growth, urbanism, and green building into the first national system for neighborhood design. LEED certification provides independent, third-party verification that a development's location and design meet accepted high levels of environmentally responsible, sustainable development.

**A RESOLUTION OF
THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM
APPROVING A CHANGE IN EQUITY PARTNER FOR ROCKWOOD CHRISTIE, LLC**

March 20, 2012

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, on November 19, 2008, approved a grant in the amount of \$5,000,000 for the 64th and Christie project (the “Project”); and

WHEREAS, the grant was awarded to TMG Partners;

WHEREAS, on September 22, 2010 the TMG Partners Resolution was amended to reflect the transfer of award of the CALReUSE grant to Rockwood Christie, LLC; and

WHEREAS, Rockwood Christie, LLC, owner of the property, requests its equity partner be changed from RockEmery, LLC to Essex Portfolio, L.P.; and

WHEREAS, Rockwood Christie, LLC maintains the authority and responsibility to complete the Brownfield Infill Project and Infill Development Project as described in the Infill Application and amended Infill Application; and

WHEREAS, approval for amending the Resolution is sought;

NOW THEREFORE BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The September 22, 2010 Rockwood Christie LLC Resolution is amended to reflect the removal of RockEmery, LLC and the addition Essex Portfolio, LP as equity partner of Rockwood Christie, LLC.

Section 2. Except as specifically amended in Sections 1 hereof, all provisions and conditions of the Grant Agreement shall remain unchanged and in full force and effect. This resolution shall take effect immediately upon its passage.

ATTACHMENT A



March 2, 2012

To Whom It May Concern:

The economic slowdown has delayed the timing of when we would have liked to commence development of the apartment project at 64th Street and Christie Avenue in Emeryville. As financial partner in the Rockwood Christie LLC partnership, we will have to transfer our interest in order to ensure a successful development of the project. This investment is in a Rockwood Capital fund (Rockwood Capital Real Estate Partners Fund V, L.P.) with a finite life, and the timing of development completion and lease-up would extend beyond the fund's end date.

In order to ensure that the apartment development is commenced in a timely way, Essex Property Trust, an existing financial partner at the Marketplace project, will replace the Rockwood Capital fund to finance the development. Essex will become a member of the Rockwood Christie LLC Venture, which will remain the owner of the asset, replacing the Rockwood Capital fund.

Essex Property Trust is a Real Estate Investment Trust that specializes in building and operating rental housing throughout the country. The 64th and Christie property will be their second successful East Bay apartment project, following their recently completed 4th and U apartment property at University and 4th streets in Berkeley. Because they are a financial partner of the Marketplace project they are very familiar with the overall redevelopment plan for the Marketplace site and bring a strong track record of financing and managing quality apartment buildings.

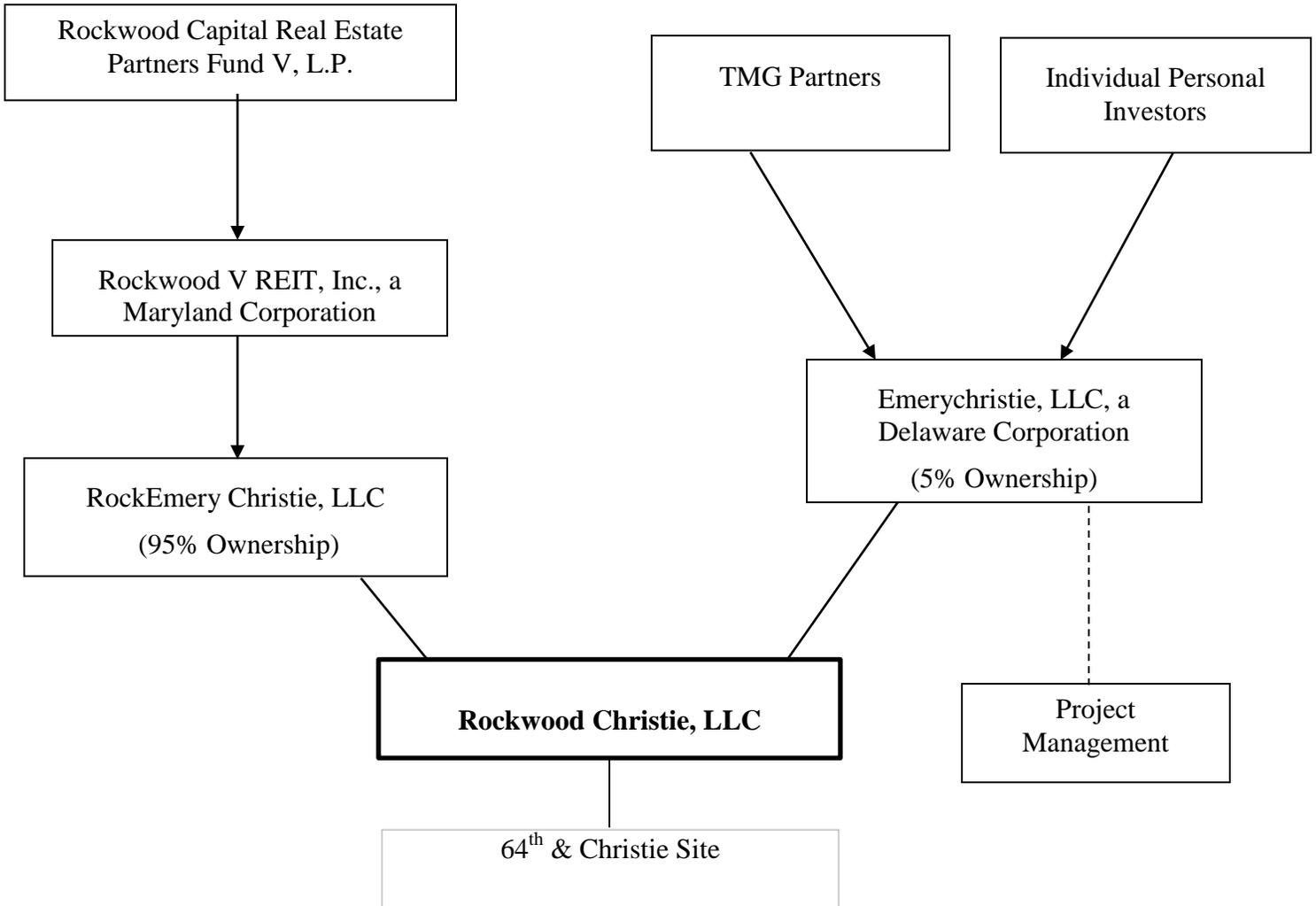
Sincerely,

A handwritten signature in blue ink that reads "Edmond A. Kavounas".

Edmond A. Kavounas
RockEmery Christie, LLC

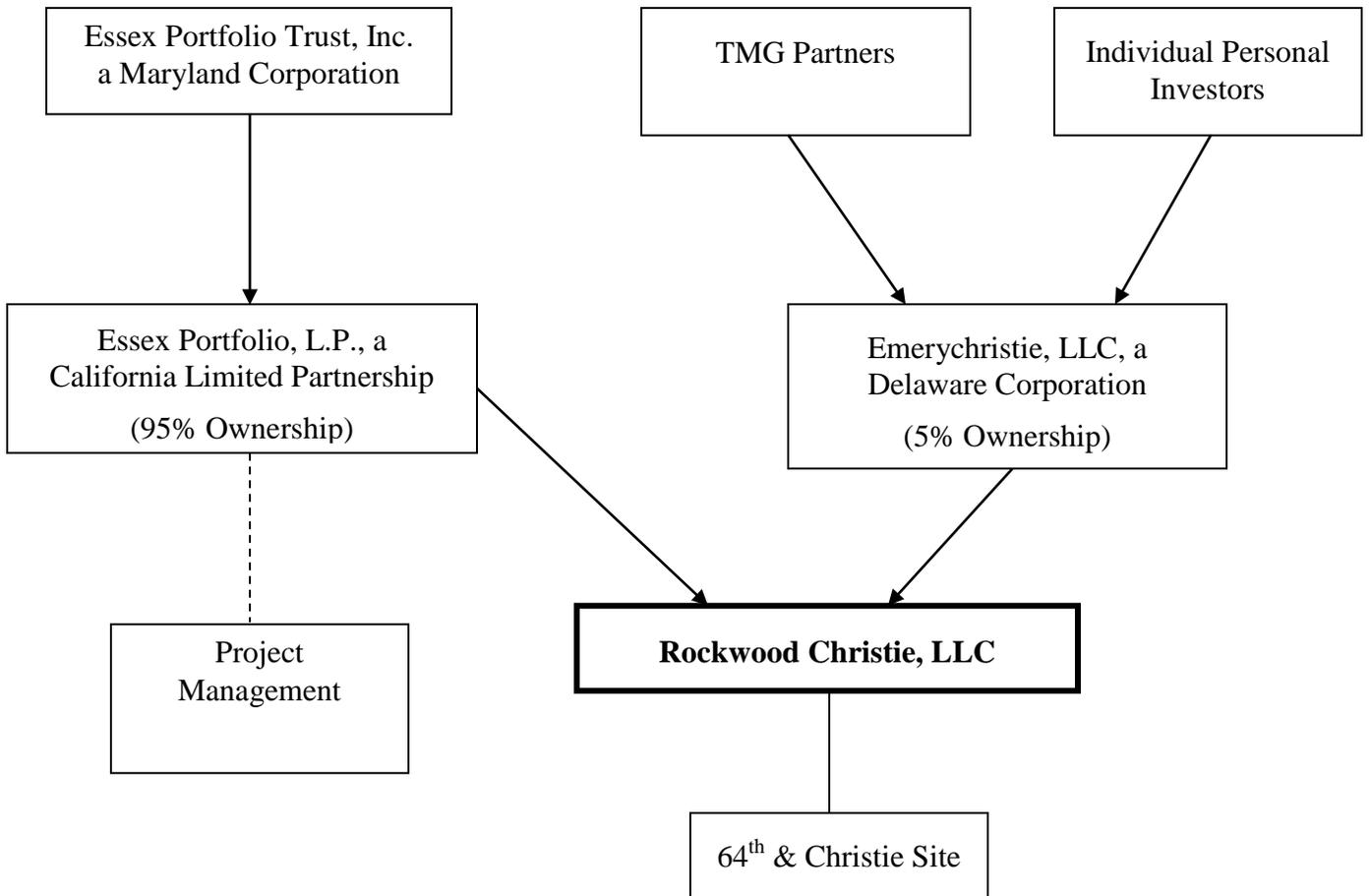
ATTACHMENT B

The chart below depicts the current ownership structure.



ATTACHMENT C

The chart below depicts the proposed ownership structure.



ATTACHMENT D



EMERYVILLE REDEVELOPMENT AGENCY

1333 PARK AVENUE
EMERYVILLE, CALIFORNIA 94608-3517

TEL: (510) 596-4300 FAX: (510) 596-4389

January 24, 2012

Denise Pinkston
TMG Partners
100 Bush St, 26th Floor
San Francisco, CA 94104

Dear Denise:

This letter is to communicate to you and to the State of California the support of the City of Emeryville for the removal of Rockwood Capital and the addition of Essex Property Trust as the 95% equity partner in the existing Rockwood Christie LLC entity that is developing the 64th and Christie Apartment project.

The City reviewed the material regarding Essex's portfolio of development work in California and found them an acceptable capital partner for TMG in the existing Rockwood Christie LLC entity. Essex is a Real Estate Investment Trust that specializes in building and operating rental housing throughout the country. The 64th and Christie property will be their second successful East Bay apartment project, following their recently completed 4th and U apartment property at University and 4th streets in Berkeley. Because they are a financial partner of the Marketplace project, they are very familiar with the overall redevelopment plan for the Marketplace site and bring a strong track record of financing and managing quality apartment buildings. Their portfolio of projects and a description of their company are attached.

I look forward to working with you and Essex to complete the 64th and Christie apartments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Helen Bean', with a long horizontal line extending to the right.

Helen Bean
Economic Development Director

cc. Patrick O'Keeffe, City Manager